



**CREDIT UNION  
SERVICE CENTER**  
*A division of Capitol CUSO, LLC*

1887

March 31, 2009

The Honorable Michael E. Fryzel, Chairman  
National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314

The Honorable Rodney E. Hood, Vice-Chairman  
National Credit Union Administration

The Honorable Gigi Hyland, Board Member  
National Credit Union Administration

1080 SW WANAMAKER RD.

TOPEKA, KS 66604

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RE: Comments on ANPR for Part 704

Dear Chairman Fryzel, Vice-Chairman Hood, and Board Member Hyland:

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I would first like to thank you very much for the opportunity to provide comments and information as a result of NCUA's Advanced Notice of Proposed Rulemaking concerning the role of the Corporate Credit Union Network and how they interact with credit unions on a daily basis.

Capitol Credit Union Service Organization, L.L.C. is a credit union service organization (CUSO) owned and operated by three credit unions located in Topeka, Kansas. Capitol CUSO provides shared branch transaction services, mortgage lending, and shared information technology services for our owner credit unions and the members that they serve.

[www.capcuso.com](http://www.capcuso.com)

As a CUSO, our needs and uses for a corporate credit union vary somewhat from that of a full-service credit union. However, we believe that corporate credit unions provide many essential services to natural person credit unions, as well as to a significant number of CUSOs. In our circumstance, we are a member of Kansas Corporate Credit Union and rely on the corporate for settlement services, liquidity, currency/coin ordering, wire transfers, and other various financial services.

[REDACTED]

The board and staff of Capitol CUSO believe that the corporate system plays a very important role for credit unions, and that significant changes should be very carefully weighed and considered. Our corporate has established an individual strategic vision and business plan, and it has worked well. Kansas Corporate has done an excellent job in the past of responding to the needs and desires of credit unions, either by developing solutions in-house or by utilizing strategic partnerships as appropriate. We fear that significant changes or limitations placed on corporate credit unions could erode this successful service and performance that we've benefitted from in the past.

In reference to a few of the specific issues and questions discussed in the ANPR, we believe the following:

1. A requirement to separate payment systems from investment and liquidity products in a corporate credit union shouldn't be necessary. In many cases, the corporate credit unions don't provide all of these functions anyway, although they may provide the settlement activity for many products and services. This separation requirement would likely lead to further inefficiencies and increased costs for all involved.
2. Liquidity management has always been a significant core service for a corporate credit union, and was the primary reason for development of corporates in the beginning. Options for other providers in this area seem limited, and would no doubt be more expensive than the line we have established with Kansas Corporate today. Can you imagine a small multi-owned CUSO trying to seek a line of credit or other similar services from a nearby bank?
3. The issue of field of membership for corporate credit unions has created a lot of discussion, especially recently. From a true competitive standpoint, it seems that national fields of membership should be available to allow natural person credit unions to seek the corporate credit union(s) that are the most appropriate and responsive to their needs. No evidence has indicated that expanded fields of membership are at the root of some of the investment problems facing some of the corporate credit unions today.
4. In regard to the discussions concerning capital and permissible investments, it seems like these two components should go hand-in-hand. In light of what we know now, it appears that corporate capital standards need to be risk-based. Corporate credit unions that choose to take more risk (such as in the investment area) should be subject to additional regulatory supervision and capital requirements in order to compensate for that risk. Additionally, the proper infrastructure to manage this additional risk needs to be in place before a corporate credit union could choose, and be approved, to assume it.

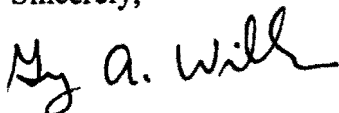
5. The structure of the corporate system isn't what led to today's problems, and we have concerns about forced consolidation among corporate credit unions. Past results of mergers among corporates haven't resulted in improved pricing or performance, and in fact, may have even resulted in less responsiveness overall to their membership.

In summary, we have a number of concerns about new regulations possibly creating irreparable harm to the corporate credit union system. As a CUSO located in a small and somewhat rural state populated by credit unions on the smaller end of the scale, we believe that the loss of a competitive corporate could also cause serious harm or failure to many credit unions as well. Smaller credit unions have fewer options to obtain necessary financial services, and many times must turn to a local bank. In Kansas, credit unions have fought an intense battle with the banking industry over field of membership in recent years, and we would prefer not to have to return to those same institutions to seek vendor business relationships in the future. Corporate credit unions have made great strides in reducing dependence by credit unions on their everyday competitors down the street, and overreaching regulation could force them right back into the same situation. However, with the current upheaval in the financial marketplace, it might be nearly impossible for credit unions to replace many of the services now provided by their corporate credit union. And that would do significant harm to many credit unions.

Even though we are a CUSO and not a credit union, Kansas Corporate is a strategic business partner to us. We've relied on their innovation in the past to provide new products and services to allow us to better serve our owner credit unions and their members. The future of the corporate credit union system is critical to the future of credit unions (and CUSOs); therefore any regulatory changes need to be very carefully considered before implemented.

Thank you for the opportunity to provide comment.

Sincerely,



Greg A. Winkler, President  
Capitol CUSO, LLC